

Message Text

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ACTION EA-10

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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 037

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E.O. 11652: N/A

TAGS: PINT, PFOR, EAGR, EAID

SUBJECT: GUB AID CONSORTIUM PROPOSAL

REF: RANGOON 1921, ITEM 1

1. AS WAS ANTICIPATED IN REFTEL, U LWIN CALLED IN CHARGE ON JULY 28 TO SEEK USG SUPPORT FOR BURMA AID CONSORTIUM. U LWIN PLANS TO MAKE FORMAL PROPOSAL AT IBRD MEETING IN SEPTEMBER AND IS SOUNDING OUT ALL POTENTIAL DONORS. ACTION REQUESTED - DEPARTMENT PROVIDE EMBASSY WITH A GENERAL STATEMENT OF USG ATTITUDE TO PASS ON TO U LWIN.

2. U LWIN SAID DETAILS STILL HAD TO BE WORKED OUT BUT THAT GUB HAS IN MIND A CONSORTIUM COMPOSED OF OECD MEMBERS PLUS IRAN, YUGOSLAVIA, AND SWEDEN. IT WOULD INITIALLY OPERATE FOR THREE TO FOUR YEARS, I.E., AT THE TAIL END OF ONE GUB FOUR YEAR PLAN AND BEGINNING OF ANOTHER. GUB PRIORITIES WOULD BE FOR FOREIGN EXCHANGE COSTS OF CAPITAL PROJECTS (INCLUDING A U.S. \$100 MILLION UREA PLANT AND A WOOD PULP MILL) SUPPLEMENTED BY SMALLER AMOUNTS FOR TECHNICAL ADVICE AND SPARE PARTS. THE CORE OF AID FUNDING WOULD BE ABOUT \$35 MILLION P.A. FROM THE IBRD, AND ABOUT \$200 MILLION P.A. FROM

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THE ADB. HE SAID BURMA WAS PREPARING A DETAILED PRESENTATION

FOR WASHINGTON MEETING. PRESENTATION WILL SPELL OUT, INTER ALIA, GUB PRIORITY ACCORDING TO AGRICULTURAL AND FORESTRY PROJECTS AND DETERMINATION TO AVOID IMPORT SUBSTITUTION PROGRAMS WHICH HAVE PLAGUED ECONOMY IN THE PAST.

3. PRIOR TO CALLING IN CHARGE, U LWIN HAD SIMILAR CONVERSATIONS WITH CM'S OF UK, AUSTRALIA, FRENCH, JAPANESE, FRG AND YUGOSLAV MISSIONS. IN CHECKING WITH SOME OF THESE WE FIND THAT U LWIN MADE THE SAME SPARE AND RATHER VAGUE PITCH (THE FRENCH INSISTED UPON A NOTE; WHEN IT ARRIVED, IT WAS AS BARE OF SPECIFICS AS U LWIN'S CONVERSATIONS). BY THE SAME TOKEN, HOWEVER, THE GUB IS NOT SEEKING, AT THIS TIME, ANY MORE THAN A GENERAL INDICATION OF APPROVAL OR DISAPPROVAL. TO OUR KNOWLEDGE, NONE OF THE GOVERNMENTS APPROACHED HAS RESPONDED OFFICIALLY. THE LOCAL STAFFS OF THE AUSTRALIAN, JAPANESE, AND U.K. EMBASSIES APPEAR TO BE ENTHUSIASTIC ABOUT THE PROPOSAL, WHEREAS THE FRENCH ARE UNENTHUSIASTIC ABOUT FUNDING PROJECTS UNLESS THE TRICOLOR IS WAVING FOR ALL TO SEE. THE BURMESE HAVE NO INTENTION OF ASKING THE USSR OR THE PRC INTO THE CONSULTATIVE GROUP. THEY HAVE SAID, HOWEVER, THAT ONCE BILATERALS ARE NEGOTIATED WITH THESE COUNTRIES, THE TERMS AND AMOUNTS WILL BE MADE AVAILABLE TO ALL THE MEMBERS OF THE CONSULTATIVE GROUP FOR PLANNING PURPOSES.

4. COMMENT: IN DISCUSSING THIS PROPOSAL, THE BURMESE HAVE CITED TWO POINTS IN THEIR RATIONALE: (A) TO ENSURE BETTER COORDINATION AMONG DONORS; AND (B) TO TAP NEW SOURCES OF FUNDS. POINT A IS CLEARLY SPURIOUS IN VIEW OF THE VERY GOOD TRACK RECORD FOR COORDINATION AMONG, AT LEAST THE MAJOR DONORS. POINT B IMPLIES THAT, SOONER OR LATER, THE GUB WILL BE APPROACHING THE USG FOR HARD CURRENCY ASSISTANCE. HOWARTH

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